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IRANIAN TRADE SANCTIONS

OCTOBER 5, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 3391]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3391) to prohibit the importation into the United States of all products of Iran, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. FINDINGS.

The Congress finds that—

(1) the Government of Iran has not accepted United Nations Security Council Resolution 598, which calls for an immediate cease-fire in the war between Iran and Iraq, a war that has lasted more than seven years and has resulted in more than 1,000,000 casualties;

(2) there has been conclusive evidence of Iran's complicity in the laying of mines in international waters of the Persian Gulf and the Gulf of Oman;

(3) the introduction of Silkworm missiles, and actions of Iran's armed forces and Revolutionary Guards, significantly threaten the stability and freedom of navigation of nonbelligerent shipping in the Persian Gulf, as well as naval vessels facilities, and personnel of the United States and other nonbelligerent states;

(4) the Secretary of State has determined, under section 6(j) of the Export Administration Act of 1979, that Iran is a country that has repeatedly provided support for acts of international terrorism;

(5) the purchase by the United States of Iranian oil and other products of Iran, which in recent years has averaged more than one half a billion dollars annually, has enhanced Iran's ability to procure military hardware and to undertake and threaten military and terrorist actions described in paragraphs (2), (3), and (4);

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(6) Iran has been a major supplier of crude oil imported into the United States, so that the United States is contributing hard currency to Iran each year;

(7) oil is Iran's principal export, and Iran's continued ability to export oil in such large quantities to the United States clearly enables Iran to sustain its war effort against Iraq and to ignore United Nations Security Council Resolution 598; and

(8) in light of Iranian policy and actions in the Iran-Iraq war and in the Persian Gulf, it is not in the best interest of the United States to practice "business as usual" with Iran.

SEC. 2. IMPORT SANCTIONS AGAINST IRANIAN ARTICLES.

(a) DEFINITION.—As used in this Act, the term "Iranian article" means any article that is the growth, product, or manufacture of Iran.

(b) IMPORT PROHIBITION.—Subject to section 3, no Iranian article may be entered, or withdrawn from warehouse for consumption, in the customs territory of the United States after the date of the enactment of this Act.

(c) DENIAL OF MFN TREATMENT.—Subject to section 3, nondiscriminatory treatment (most-favored-nation treatment) shall not apply to any Iranian article that is entered, or withdrawn from warehouse for consumption, in the customs territory of the United States after the date of the enactment of this Act.

(d) ENFORCEMENT.—The Commissioner of Customs shall take such action as may be necessary or appropriate to implement—

(1) the import prohibition imposed under subsection (b), including, but not limited to, appropriate action to prevent circumvention of the prohibition through indirect shipment; and

(2) the denial of nondiscriminatory treatment under subsection (c).

SEC. 3. WAIVER OF IMPORT SANCTIONS AGAINST IRANIAN ARTICLES.

(a) IN GENERAL.—

(1) If the President decides that it is in the overall interest of the United States to delay imposition of the import prohibition under section 2(b) with respect to any Iranian article, the President may delay imposition of the prohibition on imports of that article for up to 180 days after the date of the enactment of this Act.

(2) If the President decides that is further in the national interest to suspend the denial of nondiscriminatory treatment under section 2(c) to imports of any Iranian article regarding which the import prohibition is delayed under paragraph (1), the President may suspend such denial with respect to imports of the article that are made during the period of the delay.

(b) REPORT.—If the President decides to delay imposition of the import prohibition for the 180-day period provided for under subsection (a)(1), or any shorter period, the President shall submit to—

(1) The Committee on Ways and Means and the Committee on Foreign Affairs of the House of Representatives; and

(2) The Committee on Finance and the Committee on Foreign Relations of the Senate;

a written report that explains the reasons for that decision and specifies how the national interest would be jeopardized by the immediate imposition of the prohibition. If the denial of nondiscriminatory treatment is suspended under subsection (a)(2) with respect to imports during the period of the delay, the report shall specify how the national interest would be jeopardized by the immediate denial of such treatment.

(c) EXTENSION OF IMPORT PROHIBITION WAIVER.—If the President decides to delay imposition of the import prohibition under subsection (a) on any Iranian article for the full 180-day period, such import prohibition and the denial of nondiscriminatory treatment (if suspended under subsection (a)) to the article shall go into effect on the day after the 180th day unless the Congress, by joint resolution, extends the 180-day period.

SEC. 4. TERMINATION OF IMPORT SANCTIONS AGAINST IRANIAN ARTICLES.

(a) IN GENERAL.—The President may terminate the import prohibition and the denial of nondiscriminatory treatment imposed under section 2 if the President determines, and reports such determination (and the reasons therefor) to the Congress, that Iran—

(1) has ceased all belligerent activities in the Persian Gulf area against nonbelligerent parties; and

(2) has implemented United Nations Security Council Resolution 598.

(b) REINSTATEMENT OF IMPORT SANCTIONS.—If after the import prohibition and the denial of nondiscriminatory treatment are terminated under subsection (a) the President determines that Iran is no longer in compliance with paragraphs (1) and (2) of subsection (a), the President may reinstate the import prohibition and the denial of such treatment under section 2 for such period as he considers appropriate.

GENERAL EXPLANATION AND SUMMARY

United States imports from Iran in recent years have been in the range of $500 million to $600 million. In the first 7 months of 1987, U.S. imports rose substantially to $895 million—implying an annual rate of $1.5 billion. Most off those imports—$505 million in 1986 and $810 million during the first 7 months of 1987—were accounted for by oil.

Iran was this country's eighth largest supplier of oil during the period January to July 1987 but rose into the number two position in the month of July.

These facts fly in the face of common sense. Iran is engaged in numerous belligerent activities in the Persian Gulf directed at or affecting the activities of nonbelligerent states in that region. Iran has been caught in the act of laying mines in shipping lanes, has launched Silkworm missiles against Kuwait and refused to accept a cease-fire in the Iran-Iraq war as proposed by the United Nations. Actions such as these are provocative, unwarranted, and pose a real threat to peace and stability in the Persian Gulf region.

United States imports are a form of subsidy to Iran, enabling that country to obtain much needed hard currency to finance its war effort and its belligerent activities in the gulf. With so much at stake in that area, the United States is well-advised to cease this indirect form of support for a regime whose policies and actions are so contrary to U.S. interests.

The purpose of this bill is to place United States trade policy on the same footing as our foreign policy—namely, in opposition to the hostile actions being taken by Iran in the Persian Gulf. The bill would put an end to United States imports from Iran and thus an end to United States financial support for Iranian belligerency, as long as that may continue.

Section 2 of H.R. 3391 prohibits United States imports from Iran as of the date of enactment. It also authorizes the Commissioner of Customs to implement appropriate regulations to guard against circumvention of the import ban. Members expressed particular concern about the possibility of circumvention where such fungible products as oil are concerned. They highligthed the need for regulations to provide for tight enforcement of the import prohibition in this area.

Section 3 of the bill allows the President to waive temporarily the import ban on any article, if he determines that a delay is in the national economic interest. Concern was expressed by members of the committee that this provision be used in particular to deal with hardship cases (for example, shipments at sea upon date of enactment), in addition to other cases for which the President determines a waiver is in the national interest.

SECTION-BY-SECTION ANALYSIS

Section 1. Findings

The provision expresses congressional concern over belligerent actions by Iran against nonbelligerent parties in the Persian Gulf and Iran's refusal to accept the United Nations proposed cease-fire in the Iran-Iraq war and states that in light of such action it is not in the best interests of the United States to continue business as usual with Iran.

Section 2. Import Prohibition

As of the date of enactment, all importation into the United States of articles which are the growth, product or manufacture of Iran would be prohibited. The provision would also suspend the most-favored-nation [MFN] trading status of Iran. The Commissioner of Customs would be authorized to implement appropriate regulations to carry out such a prohibition, including safeguards against circumvention by means of indirect shipments.

Section 3. Temporary waiver

The provision would allow the President to temporarily delay implementation of the import prohibition or the suspension of MFN status if he determines that it is in the national interest to delay implementation. Such delay cannot exceed 180 days unless Congress, by joint resolution, grants an extension. The committee intends that this waiver be utilized to avoid harm to innocent U.S. importers who have already purchased products for shipment to the United States. Since the purpose of these sanctions is to deny foreign exchange to Iran, it would not be useful or appropriate to impose sanctions against United States parties who have already paid Iran, because the loss would then be borne solely by them.

Section 4. Termination

The provision allows the President to terminate the import prohibition and restore MFN status if the finds, and certifies to Congress, that Iran has ceased belligerent actions against nonbelligerent parties in the gulf and has given assurances that it will not resume such actions. This termination and the restoration of MFN status can be revoked if the President determines that these conditions are later being violated by Iran.

VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the committee in reporting the bill. H.R. 3391 as amended was ordered favorably reported by the committee by a voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the committee states that it has made no oversight findings with respect to the subject matter contained in this legislation.

With respect to clause (2)(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the committee by the Committee on Government Operations with respect to the subject matter contained in this bill.

BUDGET AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the committee states that H.R. 3391 as amended does not provide any new budget authority or any new tax expenditures.

In compliance with clause 7(a) of rule XIII and clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the committee agrees with the cost estimates furnished by the Congressional Budget Office on H.R. 3391 and are included herein:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 5, 1987.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared this cost estimate of H.R. 3391 to prohibit the importation into the United States of all products of Iran, as ordered reported by the Committee on Ways and Means.

This bill would prohibit upon enactment the importation into the United States of any article that is the growth, product, or manufacture of Iran. The President would have authority to delay the imposition of the import prohibition on any Iranian article for up to 180 days after the date of enactment. After the 180th day, the prohibition would automatically go into effect unless the Congress, by joint resolution, extended the period. Prohibition may be terminated if the President determined, and reported to Congress, that Iran has ceased all belligerent activities in the Persian Gulf area against neutral parties, and had given assurances that it will not resume such activities. This cost estimate assumes that the President will not delay or terminate the prohibition.

Because this bill would decrease imports, it would reduce the level of customs duties. The table below shows the estimated revenue loss of H.R. 3391.

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Net revenue effects	−3	−4	−5	−5	−5

With best wishes,
Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

INFLATIONARY IMPACT STATEMENT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the committee states that H.R. 3391 as amended are not expected to have an inflationary impact on the economy.

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